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# Preface

*In this preface...*

- ▶ Introduction
- ▶ Things to Know
- ▶ Where to Begin

## INTRODUCTION

This guidebook was developed by the Office of Public School Construction (OPSC) to assist school districts in applying for and obtaining “grant” funds for the purposes of performing deferred maintenance work on school facilities. It is intended to be an overview of the program for use by school districts, architects, and other interested parties on how a district or county superintendent of schools becomes eligible and applies for the two different types of State funding available. However, it is not meant to be a step-by-step discussion of every conceivable application process, project type, or the eligibility of expenditures. For complete project specific information review the Deferred Maintenance Program (DMP) Regulations located on the OPSC Web site at [www.opsc.dgs.ca.gov](http://www.opsc.dgs.ca.gov) and, most importantly, contact your deferred maintenance project manager.

## THINGS TO KNOW

This edition of the Deferred Maintenance Program Handbook is a result of some significant changes to the program based on the State Allocation Board’s (SAB) regulation changes. These changes were undertaken by the OPSC in an effort to strive for unity within regulations, forms, previous SAB policies, and handbook. The following is a result of a collaborative effort between the OPSC, SAB Implementation Committee, and school facility personnel.

A couple of things the reader should keep in mind are:

- ▶ The term “district” applies to those entities eligible to apply for deferred maintenance funds under Regulation Section 1866.1, unless otherwise noted.
- ▶ The changes contained in this handbook became effective July 1, 2002.
- ▶ Due to the program forms becoming part of regulation all the forms were re-numbered.
- ▶ Please refer to the definition section of the Regulations if you are unfamiliar with a term used in this handbook.

## WHERE TO BEGIN

Chapter 1: Deferred Maintenance Program Overview, Chapter 2: Project Expenditures, Chapter 3: Five Year Plan and Basic Grant along with the appendices contains the information that affects most districts. These chapters will provide the reader with the essential program elements to receive the Basic Grant, for which all districts may apply. Chapter 4: Extreme Hardship Grant is an additional grant beyond the district’s Basic Grant and may be available to a district if it has a project meeting the requirements stated in the introduction section of the chapter.

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## Chapter 1

## Deferred Maintenance Program Overview

*In this chapter...*

- ▶ Introduction
- ▶ The Law and Regulations
- ▶ Program Funding
- ▶ Eligible Deferred Maintenance Projects
- ▶ Program Participation
- ▶ Disable Veteran Business Enterprises Policy

**INTRODUCTION**

The Deferred Maintenance Program (DMP) provides State matching funds, on a dollar-for-dollar basis, to assist school districts with expenditures for major repair or replacement of existing school building components so that the educational process may safely continue. Typically, this includes roofing, plumbing, heating, air conditioning, electrical systems, wall systems, floor systems, etc. An annual Basic Grant is provided to districts for the major repair or replacement work listed on the *Five Year Plan* (Form SAB 40-20), which is a projection of deferred maintenance work to be performed on a district wide basis over the next five years. An Extreme Hardship Grant is provided in addition to the Basic Grant if the district has a critical project on the five year plan that must be completed within one year due to health and safety or structural reasons.

**THE LAW AND REGULATIONS**

The DMP is subject to the provisions of California Education Code (EC), Section 17582 through 17588 and 17591 through 17592.5 and the State Allocation Board (SAB) Regulations, Title 2, California Administrative Code, Sections 1866 through 1866.14. Applicant districts are responsible for complying with all laws and regulations for any project undertaken pursuant to the requirements of the DMP.

In making an apportionment the SAB shall assume no legal responsibility for any lawsuits or liens filed against an applicant school district. Neither the State nor any State department or agency thereof, in making an apportionment, shall be required to assume any responsibility not otherwise imposed upon it by law.

**PROGRAM FUNDING**

The DMP receives its funding annually. Funding is made available primarily from three sources:

- ▶ Excess repayments from the State School Building Aid Program (SSBAP).
- ▶ State School Site Utilization Funds.
- ▶ Funds provided through the Budget Act for the State School Deferred Maintenance Fund.

In recent years, program funding has mainly relied on the funds provided through the Budget Act. This is due to the decrease of funding in the SSBAP and site utilization funds as payments into these programs dwindle. Unallocated carryover from the prior fiscal year is also used to fund the program.

## AVAILABLE FUNDING TYPES

The apportionment types allowed under the Deferred Maintenance Law are:

### ► Apportionment Types

Type	Education Code	Page
Basic Grant	Section 17584(b)	6
Extreme Hardship Grant	Section 17587*	9

\*Not less than one-half of all funds made available by EC Section 17587 is to be apportioned to school districts that had an average daily attendance of less than 2,501 during the prior fiscal year.

The amount of funding available for both grant types fluctuates each fiscal year. An item to apportion both the Basic Grants and Extreme Hardship Grants is generally taken to the SAB for approval after the Governor's Budget is approved.

## ELIGIBLE DEFERRED MAINTENANCE PROJECTS

The DMP is made up of 11 project categories or types of work that are outlined in EC Section 17582 or otherwise approved by SAB. Most of the project categories are building systems that are necessary components of a facility, without which the building would not be able to function for school purposes. A deferred maintenance project must conform to one of these categories in order for a district to place a project on the five year plan or apply for an Extreme Hardship Grant. For sample project types, please refer to [Appendix 1](#).

## PROGRAM PARTICIPATION

Entities that operate as a K–12 public elementary, unified, or high school districts, county superintendent of schools, or one of the regional occupational centers identified in law, may participate in the DMP.

## DISABLED VETERAN BUSINESS ENTERPRISES POLICY

Participation goals are not currently required for projects funded by this program.



## Chapter 2

# Five Year Plan and Basic Grant

*In this chapter...*

- ▶ Introduction
- ▶ Five Year Plan: Submittals and Revisions
- ▶ Basic Grant
- ▶ Deposit of District Funds
- ▶ Transfer of Excess Funds and Carryover
- ▶ Fund Release

### **Helpful Hint:**

*The SAB does not fund the projects on the district's five year plan but rather approves the five year plan and the proposed projects.*

### INTRODUCTION

A Basic Grant is available to eligible districts that have a current *Five Year Plan*, Form SAB 40-20 approved by the State Allocation Board (SAB) that encompasses the fiscal year of funding. The Basic Grant and the district's matching share is to be used for projects listed on the SAB approved *Five Year Plan*, Form SAB 40-20.

### FIVE YEAR PLAN: SUBMITTALS AND REVISIONS

A *Five Year Plan* is good for a period of five fiscal years. The intent of the plan is to forecast deferred maintenance projects within the district over the next five years. It is not intended to be an expenditure report; therefore the project costs reported should be estimates. The district does not have to perform all the work listed on the plan. New or revised plans for the current fiscal year shall be submitted to the OPSC by the last working day in June for that fiscal year.

The *Five Year Plan* allows for a district to designate an individual that has been approved by the District's Governing Board to act on behalf of the district and which the OPSC can contact regarding the DMP. If Part One of the *Five Year Plan* is not completed, the district superintendent must sign the form and OPSC's point of contact will be the superintendent.

Prior to submitting a new or revised version of the plan, the proposals and plans for expenditure of funds for the deferred maintenance of school district facilities must be discussed in a public hearing at a regularly scheduled school board meeting<sup>1</sup>. The district will be asked in the certification section of the form to enter the date this occurred. Each time a revised plan is submitted to the OPSC, this requirement must be adhered to.

A district may amend its approved Five Year Plan as needed for the current and future fiscal years. Plan revisions are not required for estimated cost changes or for moving a project already listed on the plan into a different fiscal year. A revised plan should be submitted to the OPSC for any one of the following:

- ▶ The plan has expired.
- ▶ Deferred maintenance work will be performed that is currently not listed on the plan or at a school not on the plan.
- ▶ If the exact same work was entirely paid for under the School Facility Program (SFP) Modernization or Federal Renovation Program the plan would need to be resubmitted removing the project(s).

<sup>1</sup>Regulation Section 1866.4(3)

**Helpful Hint:**

*In order to use a facility for school purposes, it must be either Division of State Architect (DSA) approved or have a waiver.*

The fiscal year in which a district revises the plan will become the starting year for the plan and will project four fiscal years out. The OPSC will not accept revisions to the *Five Year Plan* for prior fiscal years.

**Eligible Projects**

To place a project on the *Five Year Plan* it must meet all the following criteria:

- ▶ Be either a repair and replacement project for one of the school facility components stated in law or approved by the SAB; which have approached or exceeded their normal life expectancy; and,
- ▶ Located within district owned facilities that are used for school purposes.

Components with a history of continued repairs indicating a shortened life expectancy may be included as eligible items. Districts currently leasing relocatables from the State Relocatable Classroom Program are exempted from the requirement of “district-owned” and can include deferred maintenance projects for these facilities on the district’s *Five Year Plan* provided it meets the remaining requirements stated above.

For COEs only, a recent law change expanded the facilities in which deferred maintenance funding could be used<sup>2</sup>. The law defined school buildings for county offices to include those facilities that are exempt from the Field Act. If the county is leasing a facility, which meets this requirement, the lease must require the COE to maintain the facility in order to expend deferred maintenance funds on the building.

**BASIC GRANT**

The maximum amount provided by law for the Basic Grant is based on a formula detailed in EC Section 17584(b). The calculation of the maximum amounts is made by the California Department of Education.

The funding level for County Superintendents of Schools (CSS) will be calculated using the formula of one-half of one percent of their total general funds and adult education funds budgeted by CSSs for the fiscal year, exclusive of any amounts budgeted for capital outlay, debt service, or revenues that are passed through to other local educational agencies.

**Basic Grant Apportionment**

The SAB apportions funds for the Deferred Maintenance Program (DMP) one year in the arrears. Based on the amount of funds available, a district or county office of education may receive the maximum amount calculated by the CDE, known as the “Maximum Basic Grant” or a prorated amount, known as the “Prorated Basic Grant”. The apportionment is subject to the district matching the allocated State funds.

A district that receives an Extreme Hardship Grant will receive the Maximum Basic Grant to contribute to its critical project. For more information on extreme hardship funding requirements, please refer to page 11.

<sup>2</sup>EC Section 17582(a)

## DEPOSIT OF DISTRICT FUNDS

In order to receive State Deferred Maintenance funds, the governing board of a school district is required to establish a restricted fund referred to as the “District Deferred Maintenance Fund” (DDMF).

Annually, districts participating in the DMP will make a deposit into the DDMF and have their County Office of Education (COE) certify the funds on deposit. By the COE submitting the *Certification of Deposit*, Form SAB 40-21, which is due to the OPSC 60 days after SAB apportionment of the Basic Grant, the district shall receive matching State funding on a dollar for dollar basis, up to the amount apportioned. Any money deposited into this fund and any interest earned must be used for projects listed on the district’s SAB approved Five Year Plan. This fund is subject to an annual audit at the local level.

The district’s deposit must be a cash contribution from any non-restricted fund, unmatched carryover, or from the district’s restricted Ongoing and Major Maintenance Account<sup>3</sup>. Annual deposits to that account in excess of two and one-half (2½) percent of the district general fund budget may be counted towards the district’s matching share.

## Matching the Maximum

If a district does not deposit the Maximum Basic Grant as calculated by the CDE, EC Section 17584.1 requires the district’s local governing board to submit a report (by the following March 1st) to the Legislature. The report is to include a schedule of the deferred maintenance needs for the current fiscal year and an explanation of how the district plans on meeting its current need without depositing the Maximum Basic Grant. For specific information regarding the report requirements, please refer to EC Section 17584.1.

## TRANSFER OF EXCESS FUNDS AND CARRYOVER

Districts are encouraged to use any unmatched State funds on other deferred maintenance projects listed on the approved Five Year Plan. However, EC Section 17583 allows a district to transfer any unmatched State funds to other expenditure classifications in the district. If a district elects to transfer funds to purposes other than deferred maintenance, a school board resolution approving the transfer by a two-thirds vote is required. Districts are required to file the resolution with the county superintendent of schools and the county auditor. A report pursuant to EC Section 17584.1 will need to be filed if the district transfers any unmatched State funds out of the DDMF.

If the district elects not to transfer the excess funds deposited to another expenditure classification, the excess funds deposited may be carried over and used to offset some or all of the match required for a subsequent fiscal year. Carryover that has been reported on the *Certification of Deposits*, Form SAB 40-21 is considered matched and therefore cannot be applied as carryover in subsequent fiscal years.

## FUND RELEASE

Once the OPSC receives the Certification of Deposits, Form SAB 40-21 from the COE, the OPSC will generate a fund release. A State warrant (not to exceed the lesser of the amount apportioned or the deposit by the district) will be issued in the county’s name by the State Controller’s Office for deposit into the district’s fund. Funds can be expected within three weeks of OPSC’s receipt of the Form SAB 40-21. If the district receives an Extreme Hardship Grant the Basic Grant will not be released until the *Fund Release Authorization* (Form SAB 40-23) is processed.

<sup>3</sup> Regulation Section 1866.4.3

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## Chapter 3 Extreme Hardship Grant

*In this chapter...*

- ▶ Introduction
- ▶ Eligible Project
- ▶ Extreme Hardship Application Package
- ▶ OPSC Review
- ▶ Determination of Extreme Hardship Grant and District Contribution (2002/2003 Fiscal Year Projects and Beyond)
- ▶ SAB Approval Process
- ▶ Project Increases
- ▶ Expenditure Audit
- ▶ Fund Reconciliation and Cost Analysis
- ▶ Closing Action/Release of Funds
- ▶ Release of Funds/Refund

### **Important Note:**

*The OPSC must determine the hardship project is eligible for State funding prior to the start of construction. A project started prior to this determination will not be recommended for apportionment by the SAB. If the project meets the requirements of a Priority One as stated in Regulation Section 1866.52(c), contact OPSC immediately.*

### **INTRODUCTION**

Applications for an Extreme Hardship Grant are accepted on a continuous basis throughout the fiscal year. Those received prior to the last working day in June are ensured consideration in the next funding cycle. An extreme hardship exists when the SAB determines the existence of all of the following:

- ▶ **Financial Test:** The total estimated cost of the critical project is greater than two times the district's maximum basic grant; and,
- ▶ **Health and Safety Test:** The district has a critical project on its Five Year Plan which, if not completed in one year could result in serious damage to the remainder of the facility or would result in a serious hazard to the health and safety of the pupils.

### **ELIGIBLE PROJECT**

An application may include work to repair or replace an existing school building component, located within existing district owned classrooms and/or subsidiary facilities and other non-classroom space located on a school site. Each facility component (i.e., roofing) at a school site makes up one project. A district with only one school may include other essential work (i.e., multiple components), as long as all projects individually meet the above tests, without being subject to the multiple project district contribution requirements stated page 11.

**Helpful Hint:**

If the district has additional reports from a roofing company, environmental or mechanical engineer, submitting those in addition to the architect or structural engineers report will help OPSC in it's review of project eligibility.

**EXTREME HARDSHIP APPLICATION PACKAGE**

The following documents are required in order for the application to be deemed complete.

**► Required Documents**

Form Number	Document
SAB 40-20	A revised Five Year Plan, Form SAB 40-20 including the critical project and identifying it in Column 9 of the form.
SAB 40-22	Extreme Hardship Funding Application
None	Detailed cost estimate prepared by a licensed architect or contractor showing quantity and unit cost breakdowns supporting the construction costs listed. The cost estimate shall be subject to review by the OPSC for conformance with the <i>Saylor Current Construction Cost</i> publication and at the OPSC's direction, the DSA. Items in the cost estimate shall be limited to only the minimum work necessary to mitigate the problem. Lump sums are not allowed.
None	Licensed architect or structural engineer's report detailing: <ol style="list-style-type: none"> <li>1. How the project qualifies as a hardship as defined in EC Section 17587.</li> <li>2. A recommended solution to correct the problem.</li> <li>3. Detailed description of work being performed.</li> </ol>
None	Plot plan identifying location of work.

A district with only one school that is applying for more than one project category will need to submit an *Extreme Hardship Funding Application*, Form SAB 40-22, for each project category and an SAB 40-22 that combines all the projects into one request.

The Extreme Hardship application package is reviewed by the Office of Public School Construction (OPSC) for completeness and placed on a Deferred Maintenance Extreme Hardship workload list by received date order. The workload list can be viewed on the OPSC Web site at [www.opsc.dgs.ca.gov](http://www.opsc.dgs.ca.gov). The applications are then processed in date order for presentation to the SAB for consideration.

In some cases, the OPSC may find that an application lacks required information. If this is the case, the OPSC will return the application unprocessed with notification of the missing documents. Should this occur, the district may resubmit the application once the required information is available.

**Multiple Extreme Hardship Funding Requests**

A district may submit more than one *Extreme Hardship Funding Application*, Form SAB 40-22 in a fiscal year as long as each project meets the financial and health and safety test.

**Assignment of Application Number**

Upon submittal of an Extreme Hardship Funding Application, Form SAB 40-22, an application number will be assigned to the project. Following the prefix "40", this number will be the five digit code in the California Public School Directory, the last two digits of the beginning fiscal year, in which the district is applying for funding, and lastly the number of projects submitted by the district. For example:

**40/99999-02-01**

The above number would represent a district's first 2002/2003 Fiscal Year critical project. Districts should use this number when corresponding with the SAB/OPSC.

## OPSC REVIEW

After the acceptance of the complete application, the OPSC will process it based on the date received. The OPSC will then conduct a site visit to verify the conditions stated in the architect's or structural engineers report. A follow-up letter after the site visit may be sent requesting additional information. Once all the back-up for the project is received, the OPSC will determine if the project meets the tests stated in law and will notify the district of its findings. Construction may begin after the OPSC site visit, however, there is no guarantee of OPSC's recommendation for funding until the district has received written notification. Projects that meet the requirements will be presented to the SAB for approval.

### Helpful Hint:

*Cost increases for 2002/2003 Fiscal Year projects and beyond where the revised total project cost exceeds \$1,000,000, will be subject to the new district contribution requirements.*

## DETERMINATION OF EXTREME HARDSHIP GRANT AND DISTRICT CONTRIBUTION (2002/2003 FY Projects and Beyond)

The total estimated cost of the critical project will determine how the extreme hardship grant is calculated and the amount of funding the district will contribute to the project. The following chart details the different district contribution requirements for a critical project:

### ► District Contribution for a Critical Project

District's Maximum Basic Grant and State's Match	Total Project Cost	Project Number	District Contribution Requirement
Under \$1,000,000	Under \$1,000,000	First Project	Maximum Basic Grant and State's matching share for the fiscal year the project was funded.
Under \$1,000,000	Above \$1,000,000	First Project	Maximum Basic Grant and State's matching share for the fiscal year the project was funded AND 50 percent of all costs above \$1,000,000.
Under \$1,000,000	Any Amount	Second and Subsequent Projects or additional projects from a different fiscal year receiving funding.	50 percent of the total project cost.
Above \$1,000,000	Above \$1,000,000	First Project	Maximum Basic Grant for the fiscal year the project was funded AND 50 percent of all remaining costs.
Above \$1,000,000	Above \$1,000,000	Second and Subsequent Projects or additional projects from a different fiscal year receiving funding.	Fifty percent of the total project cost.

## SAB APPROVAL PROCESS

Projects will be presented to the SAB on a continuous basis throughout the fiscal year. The SAB approval/action can either be funded or “unfunded” depending upon the extent of Deferred Maintenance funds available. If the approval is “unfunded” the district will be placed on an “unfunded” list by priority order and complete application received date order. If the critical project receives an “unfunded” approval, the extreme hardship grant will be an estimated amount calculated based on the maximum known at the time of approval and will be recalculated using the maximums available at the time of funding. Once funding becomes available projects will be funded based on how the application was placed on the “unfunded” list. Only projects that meet the financial test at the time of funding will receive hardship funding. If the request does not meet the criteria, the district may still complete the project with its Basic Grant and state’s matching share.

## Funding Priorities

The SAB will utilize the following funding prioritization for Extreme Hardship Grants:

► Funding Priorities	
Priority	Description of Projects
1	The immediate closure of a facility due to health and safety or structural problems that precludes pupils from remaining in the facility. School board resolution required, refer to Regulation Section 1859.5.3(c).
2	All other eligible deferred maintenance projects, in date order.

## Fund Release

After the SAB apportions the Extreme Hardship Grant, the district will need to deposit an amount equal to the maximum Basic Grant into the District Deferred Maintenance Fund and submit the *Fund Release Authorization*, Form SAB 40-23 along with the supporting documentation. This form is due to the OPSC within one year of SAB apportionment of the project. The OPSC will then process fund releases based on the supporting documentation in date received order. The Extreme Hardship Grant may be prorated if the documents submitted only cover a portion of the project.

## Time Limit on Apportionment and Progress Report

The district has one year from the SAB apportionment of the Extreme Hardship Grant to submit the documents for a release of funds and to complete the project. If within six months of SAB apportionment, the district has not submitted the documents for fund release, a narrative report must be submitted to the OPSC. The report must contain the information requested in Regulation Section 1866.5.8(c). A district may request from the SAB a one-time, time extension from the one year requirement under specific circumstances detailed in Regulation Section 1866.5.8(d).



## PROJECT INCREASES

A district may be eligible for an Extreme Hardship Grant increase to its critical project if the bid or subsequent re-bids are higher than the total estimated cost of the project or additional related work is encountered within the scope of the original project (i.e., change orders). The following documents are required for an increase to a project:

### ► Required Documents

Type of Increase	Documents Required
<p>Additional Related Work</p> <p>Note: Only expenditures for work outlined in the application and approved by the SAB will be recognized as eligible.</p>	<ul style="list-style-type: none"> <li>• An amended <i>Extreme Hardship Funding Application</i>, Form SAB 40-22, reflecting current project costs.</li> <li>• A revised licensed architect/structural engineer’s report detailing why the additional work or cost is necessary.</li> <li>• A revised detailed cost estimate from the architect or contractor, which outlines the cost of the work completed under the initial approval, as well as the additional related work and cost necessary to complete the project.</li> <li>• A copy of the low bid and project specifications.</li> <li>• A copy of the signed and awarded contracts.</li> <li>• Copies of all fully executed change orders.</li> <li>• Plot plan showing the location of the work approved under the original application and then identifying the location of the additional related work.</li> </ul>
Low Bids exceeds Total Project Cost	<ul style="list-style-type: none"> <li>• An amended <i>Extreme Hardship Funding Application</i>, Form SAB 40-22, reflecting current project costs.</li> <li>• A revised licensed architect/structural engineer’s report detailing why the additional work or cost is necessary.</li> <li>• A copy of the low bid and project specifications.</li> <li>• A copy of the signed and awarded contracts.</li> <li>• Plot plan showing the location of the work included in the bid.</li> </ul>

Increases for work that was not originally contained in the scope of the project are not eligible. However, if the work has not been completed the district may submit a new application for the additional work. The OPSC will review the application to determine the eligibility of the project.

## EXPENDITURE AUDIT

A final audit is initiated when all project expenditures have been made, but no more than one year after the submittal of the Expenditure Report, Form SAB 40-24<sup>2</sup>. This form is due to the OPSC within two years from the date any funds were released for the project. The OPSC shall complete the audit of expenditures within six months, unless awaiting additional documentation from the district.

A worksheet is available to assist the district in providing detailed expenditure information. The *Detailed Listing of Warrants Issued by the District for Deferred Maintenance Hardship Projects*, Worksheet 184ADM, can be found on the OPSC's Web site.

## Documents Required For Extreme Hardship Post Audit

The following documents are required for extreme hardship final audit:

### ► Required Documents

Document Number	Documents Name
SAB 40-24	Expenditure Report
None	Signed and awarded contract(s)
None	Completion notices(s) showing date recorded
None	All invoices except those paid to the main construction contractor
None	A detailed listing of each expenditure. The district may use the Worksheet 184ADM to assist the district in reporting these expenditures.

## Ineligible Extreme Hardship Expenditures

The following are some examples of ineligible extreme hardship expenditures:

- Enhancements. For example, if a district has a shingle roof, which qualifies for replacement, it must be replaced with a shingle roof. If the district wishes to replace it with a metal roof, the State will not fund the project, unless (1) the cost is the same or less than that of a shingle roof or (2) the district agrees to fund the difference between the cost of a shingle roof and the cost of a metal roof. Generally, replacements should be like for like unless prohibited by DSA or by local ordinance.
- Reimbursement of architect/structural engineer's fees more than five months prior to OPSC's acceptance of the complete application.
- Service warranties.
- Equipment rental.
- Work done on buildings not owned by the district.
- Work done on buildings not approved by the Division of the State Architect when appropriate.
- Repairs on portable buildings that exceed 50 percent of the replacement cost. The request may be submitted to the SFP as a modernization project.

<sup>2</sup>The one-year audit requirement only applies to projects receiving an apportionment after July 1, 2002.

### FUND RECONCILIATION AND COST ANALYSIS

When a complete audit of all expenditures reported by the district has been conducted by the OPSC, a “Deferred Maintenance Program Hardship Project Cost Analysis” report will be issued. This report reflects a summary of the total eligible State funded project costs. In addition, any adjustment made to the district’s Form SAB 40-24 and Form SAB 184ADM will also appear in this report. During this process, the district is required to review the report and respond to inquiries made by the OPSC.

### CLOSING ACTION/RELEASE OF FUNDS

The project’s final closing action consists of one of the following:

► Closing Actions	
If...	Then...
the final eligible State funded costs are within the eligible costs authorized by the SAB. . .	the OPSC closing action will be executed administratively.
the final eligible costs are in excess of the eligible costs authorized by the SAB. . .	the OPSC closing action will require SAB approval.

Once the final closing action has been completed by the OPSC, additional expenditures will not be recognized.

### RELEASE OF FUNDS/REFUND

Funds due to the district as a result of the closing action will be released to the district. If the closing action determines that a refund is due to the State, a request will be made to the district for the refund.

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## Chapter 4 Project Expenditures

*In this chapter...*

- ▶ Introduction
- ▶ Legal Requirements
- ▶ Deferred Maintenance and Modernization
- ▶ Professional Services
- ▶ Force Account Labor

### INTRODUCTION

The governing board of each district shall have complete control over the funds deposited and the earnings of funds once deposited into the District Deferred Maintenance Fund. Expenditures made from this fund must be expended for projects shown on the district's approved five year plan and be eligible deferred maintenance projects.

### LEGAL REQUIREMENTS

*All work must be bid in accordance with the Public Contract Code. All contracts must comply with the Education Code, Government Code, Public Contract Code, California Code of Regulations (Title 24), and any local legal requirements.*

### DEFERRED MAINTENANCE AND MODERNIZATION

A district may choose to use both deferred maintenance funding in conjunction with School Facility Program Modernization funds in order to complete a project, provided the work complies with the requirements of deferred maintenance. Depending on the type of Deferred Maintenance funding (Basic Grant or Extreme Hardship Grant) the district will need to comply with the following specific requirements:

- ▶ Districts anticipating expenditures of a project being performed in conjunction with a School Facility Program (SFP) modernization project, must have the project on the district's approved Deferred Maintenance Five Year Plan. It is recommended that the district identify in the comments section of the form that a portion of the work will be using SFP modernization grants. In addition, the detail kept on file at the district should be updated to reflect actual projects costs expended from each fund for the purpose of auditing.
- ▶ If the district's application for an extreme hardship grant involves proposed work also included in a School Facility Program (SFP) modernization application that has been funded, included on the Modernization Unfunded or Workload List, the district must certify that, after reducing the work to be funded with the extreme hardship grant from the SFP modernization project's cost estimate the remaining work in the modernization project is at least 60 percent of the total SFP grant amount provided by the state and the district's matching share. The cost estimate may not include planning, test, inspection or furniture or equipment. If the district cannot make this certification for a funded SFP Modernization application the extreme hardship grant will not be released. If the SFP modernization project is on the Unfunded or Workload List it must be withdrawn prior to the release of the extreme hardship grant to the district.

#### **Helpful Hint:**

*If the district bids both the deferred maintenance work and modernization work together be sure to separate the costs for the two types of work so that appropriate costs can be identified at the time of audit.*

## PROFESSIONAL SERVICES

Architect and structural engineer (A/E) fees shall be allowed as an eligible Basic Grant expenditure under the following conditions:

- ▶ An existing system design is faulty and replacement in kind would not alleviate future damage (i.e., a flat roof is redesigned to a sloped system to alleviate recurring leakage and interior damage).
- ▶ An obsolete, ineffective system is abandoned due to the district's inability to obtain parts.
- ▶ Technological changes prevent portions of the existing system from being used in conjunction with the replacement system and design changes are necessary to accommodate the new system.
- ▶ The Division of the State Architect, Office of Regulation Services (DSA/ORS), requires structural changes.

### Extreme Hardship: Architect/Structural Engineer

As part of the application requirements of an Extreme Hardship Grant, the district must retain the services of a licensed architect or structural engineer (A/E). The combined compensation for A/E service fees are limited to a maximum of 12 percent of the construction cost when those costs do not exceed \$500,000. If the construction costs exceed \$500,000, the allowable A/E fees will be calculated based on the sliding scale outlined in [Appendix 4, Architect/Engineer Fee Schedule](#), page 23. For purposes of calculating the A/E service fees, the computed cost is the total award from construction contracts, plus the cost of all approved additive contract change orders (with the exception of items resulting from errors and omissions on the part of the architect). Although these allowances are eligible, the district is encouraged to negotiate the best possible terms for all professional services.

## FORCE ACCOUNT LABOR

Force account labor may be recognized as an eligible deferred maintenance expenditure under the following conditions:

- ▶ The personnel was hired on a temporary basis to do work solely listed on the SAB approved *Five Year Plan*, Form SAB 40-20.

A district may not reimburse its general fund with deferred maintenance funds by charging labor from a deferred maintenance project done by regular district employees. Charges for materials may be recognized as long as they are not items classified as supplies in the School Accounting Manual.

# Appendix 1 Typical School Facilities Components

The following chart provides examples of deferred maintenance projects under each eligible project category. Please note, this is not a complete listing of all eligible projects and other projects may qualify as an eligible expenditure under one of the following school building components.

Typical School Facility Components	
School Facility Component	Conditions
<b>Floor Covering:</b> <ul style="list-style-type: none"><li>1. Carpeting</li><li>2. Asphalt Tile and Vinyl Asbestos Tile</li><li>3. Hardwood Floors</li></ul>	
<b>Painting:</b> <ul style="list-style-type: none"><li>1. Interior of classrooms, library, offices, hallways, cafeteria, restrooms, etc.</li><li>2. Exterior stucco, masonry, wood, and metal trim</li></ul>	
<b>Electrical and Communication Systems:</b> <ul style="list-style-type: none"><li>1. Panels and boards</li><li>2. Signal systems, including fire alarms and public address</li><li>3. Conductors and cables</li></ul>	Must be connected to the main bell system; cannot be free standing.
<b>Classroom Lighting:</b> <ul style="list-style-type: none"><li>1. Substandard incandescent lighting and obsolete fluorescent lighting</li><li>2. Fixtures</li></ul>	Light bulb replacement not allowed.
<b>Roofing:</b> <ul style="list-style-type: none"><li>1. Large sections or whole buildings of roofing systems</li><li>2. Flashings, gutters, and downspouts</li><li>3. Ceiling tiles</li></ul>	Replacement of roofing systems must be for like kind material, pitch, etc.
<b>Plumbing:</b> <ul style="list-style-type: none"><li>1. Piping within boundaries</li><li>2. Underground gas, water</li><li>3. Sewer, leech fields</li><li>4. Well replacement</li></ul>	

continued on following page...

► Typical School Facility Components...

School Facility Component	Conditions
<b>Heating/Ventilation/Air-Conditioning:</b>	
<ol style="list-style-type: none"> <li>1. Heating               <ol style="list-style-type: none"> <li>a. Gas-fired unvented wall heaters</li> <li>b. Other heating systems                   <ol style="list-style-type: none"> <li>i. Boilers</li> <li>ii. Piping</li> </ol> </li> <li>c. Individual heating units except gas-fired wall heaters</li> </ol> </li> <li>2. Ventilation and Air-Conditioning Systems               <ol style="list-style-type: none"> <li>a. Central systems</li> <li>b. Individual units</li> <li>c. Cafeteria and automotive fume exhaust systems</li> </ol> </li> </ol>	
<b>Wall Systems:</b>	
<ol style="list-style-type: none"> <li>1. Doors including hardware</li> <li>2. Window Assemblies (including wood sash)</li> <li>3. Indoor gym bleachers that pull out from wall</li> <li>4. Siding</li> <li>5. Restroom partitions (attached to wall)</li> </ol>	
<b>Paving:</b>	Like kind replacement only
<ol style="list-style-type: none"> <li>1. Asphalt               <ol style="list-style-type: none"> <li>a. Slurry coat</li> <li>b. Seal</li> </ol> </li> <li>2. Concrete</li> </ol>	
<b>Underground Toxic Tank:</b>	
<ol style="list-style-type: none"> <li>1. Removal</li> <li>2. Clean-up</li> </ol>	May include ground water monitoring costs if required by public agency
<b>Asbestos:</b>	
<ol style="list-style-type: none"> <li>1. Inspection, sampling, and analysis</li> <li>2. Removal or encapsulation</li> </ol>	When friable



## Appendix 2 Frequently Asked Questions

### ► Frequently Asked Questions

#### Questions

*How may I obtain current information and forms for the Deferred Maintenance Program?*

*Can interest earned by a district be used as part of the district deposit in subsequent years?*

*Will my deferred maintenance project require DSA approval?*

*On our Five-Year Plan (Form SAB 40-1), can the following items be included:*

1. Asbestos inspection?
2. Door hardware?
3. Carpets?

*Does the district have to bid the project if an emergency situation occurs?*

#### Answers

On our Web site at [www.opsc.dgs.ca.gov](http://www.opsc.dgs.ca.gov); or, by contacting your Deferred Maintenance Program Project Manager at 916.445.3160.

If the district does not have a critical project, one-half of the interest amount may be applied toward the district deposit. However, if it does have a critical project, the full amount of interest earnings must be applied to the Extreme Hardship Grant or returned to the State.

The District should contact the DSA for guidance.

1. Asbestos inspection: Yes, to determine the presence of asbestos except for in the case of annual testing. Routine asbestos inspections generally deemed an administrative cost.
2. Door hardware: Yes, it may be included in the category of “wall systems”.
3. Carpets: Yes, it may be included in the category of “floor covering”.

For an “emergency” contract to be awarded under the provisions of the Public Contract Code, Section 20113, the District must:

- obtain approval from its School Board, by unanimous vote; and,
- obtain approval by the County Superintendent of Schools; and,
- comply with the legal requirements listed for the solicitation of bids; and,
- obtain contract approval by legal counsel.

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## Appendix 3 Grant Cycles, Forms and Filing Deadlines

### BASIC GRANT FUNDING CYCLE

1. **District:** Either has a current Five Year Plan approved by the SAB or submits to the OPSC a revised plan that includes the current fiscal year.
2. **OPSC/SAB:** Presents the district's Five Year Plan to the SAB for approval (if needed). SAB approval.
3. **OPSC/SAB:** Establishes an apportionment listing of districts receiving the basic grant in the Fall following the end of the fiscal year. Approves and apportions the listing for Basic funds for the previous fiscal year.
4. **District:** Deposit funds in its District Deferred Maintenance Fund for the prior fiscal year.
5. **County Office of Education:** Certifies the amount deposited on the Certification of Deposit (Form SAB 40-21) by district or county superintendent of schools and submits the form to the OPSC within 60 days of SAB apportionment.
6. **OPSC:** Process the release of funds, for the previous fiscal year, through State Controller's office, not to exceed the lesser of the amount apportioned or the amount deposited by the district.

### EXTREME HARDSHIP GRANT FUNDING CYCLE

1. **District:** Submits funding application for an Extreme Hardship Grant *by the last working day in June*.
2. **OPSC/SAB:** Processes application and performs site visit of project prior to the start of construction. SAB approval.
3. **OPSC/SAB:** Based on funds available, OPSC establishes an apportionment listing of districts receiving an extreme hardship grant in the Fall following the end of the fiscal year. SAB approval.
4. **District:** Submits the *Fund Release Authorization*, Form SAB 40-23, *within one year* of SAB apportionment. Narrative report due if *within 6 months* fund release documents not submitted to OPSC.
5. **OPSC:** Processes a fund release for the Extreme Hardship Grant.
6. **OPSC:** Project audit.

▶ Program Forms and Filing Deadlines	
Form	Form Submittal Deadlines
<i>Five Year Plan</i> , Form SAB 40-20	Last working day in June for the current fiscal year.
<i>Certification of Deposits</i> , Form SAB 40-21	Sixty days from SAB apportionment of the Basic Grant.
<i>Extreme Hardship Funding Application</i> , Form SAB 40-22	Last working day in June for the current fiscal year.
<i>Fund Release Authorization</i> , Form SAB 40-23	Within one year from SAB apportionment of Extreme Hardship Grant.
<i>Expenditure Report</i> , Form SAB 40-24	Within two years from the date any funds were released.

Appendix 4

# Architect/Structural Engineer Fee Schedule

## (Extreme Hardship Only)

The following schedule is used to determine the maximum reimbursable architect or structural engineer fees allowed by the SAB. The rates below are applied to the amount of the project construction contract including change orders.

► Maximum Reimbursable Architect Fees

Amount of the Construction Contract	Maximum Percentage
First \$ 500,000	12%
Next \$ 500,000	11½%
Next \$1,000,000	11%
Next \$4,000,000	10%
Over \$4,000,000	9%

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## Appendix 5 Applicable Education Code Sections

### ► California Education Code

Section	Description
17582	Provides provisions for the establishment of the District Deferred Maintenance Fund (DDMF) and subsequent expenditures.
17583	Allows for the transfer of excess local funds from the DDMF.
17584	Establishes the calculation method for the Deferred Maintenance Maximum Basic Grant as calculated by the California Department of Education.
17584.1	Sets criteria that the district's Five Year Plan be discussed in a public hearing at a regularly scheduled school board meeting and set reporting requirements for districts that do not set aside the Maximum Basic Grant as calculated pursuant to EC Section 17584.
17585	Establishes guidelines for school districts to receive an additional apportionment from the State, if funds are available for projects listed on their Five Year Plan.
17587	Establishes application and funding criteria for districts that are eligible for an Extreme Hardship Grant.
17588	Establishes the method for determining an Extreme Hardship Grant.
17591	Establishes guidelines for districts regarding the filing and approval of the Five Year Plan.
17592.5	Provides the authority to allocate deferred maintenance funds for two regional occupational centers.

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## Appendix 6 Ineligible Deferred Maintenance Expenditures

Allowable expenditures consist of major repair or replacement of existing school building components. The following are examples of ineligible deferred maintenance expenditures:

- ▶ Projects not included on the SAB approved Five Year Plan
- ▶ Projects being performed solely to bring the facility component up to current code
- ▶ Repair and maintenance of furniture and equipment (e.g., kitchen equipment, office and movable desks)
- ▶ Ongoing preventative maintenance (e.g., periodic inspection and cleaning, replacement of bulbs and minor repairs, individual floor tiles, individual ceiling tiles, etc.)
- ▶ Installation of new items that did not previously exist
- ▶ Consultant or project management fees
- ▶ Energy conservation
- ▶ Landscaping, fencing, irrigation, and sprinkler systems
- ▶ Athletic stadium equipment (bleachers, score boards, etc.)
- ▶ Window curtains and blinds, stage curtains, or black out curtains
- ▶ Tables and counter tops (unless permanently attached to a wall)
- ▶ Whiteboards, chalkboards, and blackboards
- ▶ Playground equipment
- ▶ Replacement of portable buildings
- ▶ Maintenance or repair of swimming pools
- ▶ Administrative Costs

Please be advised that the above listing is only a sample of ineligible projects and does not encompass all the ineligible expenditures concerning the Deferred Maintenance Program.